

**MARION COUNTY SCHOOL DISTRICT  
AUDIT REPORT  
YEAR ENDED JUNE 30, 2009**

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October 2, 2009

**INDEPENDENT AUDITOR'S REPORT**

Members of the Board of Education  
Marion County School District  
Lebanon, Kentucky

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Marion County School District as of and for the year ended June 30, 2009, which collectively comprise the District's basic financial statements as listed in the accompanying table of contents. These financial statements are the responsibility of Marion County School District's management. Our responsibility is to express opinions on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the audit requirements prescribed by the Kentucky State Committee for Schools District Audits in Appendix I of the Independent Auditor's Contract – General Audit Requirements, Appendix II of the Independent Auditor's Contract – State Audit Requirements, and Appendix III of the Independent Auditor's Contract – Electronic Submission. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Marion County School District as of June 30, 2009, and the respective changes in financial position, and the cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund and the Special Revenue Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated October 2, 2009, on our consideration of Marion County School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis on Pages 3 through 8 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Marion County School District's basic financial statements. The combining and individual nonmajor fund financial statements, and the statement of receipts, disbursements and fund balance – High School Activity Fund are presented for the purpose of additional analysis and is not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of Marion County School District. The combining and individual nonmajor fund financial statements, statement of receipts, disbursements and fund balance – High School Activity Fund and the schedule of federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Sincerely,

***White and Company, P.S.C.***

Certified Public Accountants

**MARION COUNTY PUBLIC SCHOOL DISTRICT – LEBANON, KY**  
**MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)**  
**YEAR ENDED JUNE 30, 2009**

Management’s discussion and analysis of the Marion County School District (District) offers readers of the District’s financial statements a narrative overview and analysis of the financial activities of the District for the fiscal year ending June 30, 2009. We encourage readers to review the information presented here in conjunction with additional information found within the body of these financial statements.

**FINANCIAL HIGHLIGHTS**

- The beginning general fund balance for the District was \$2,647,539. The ending general fund balance was \$3,342,133.
- Total local taxes collected were \$6,195,726 including property, vehicles, and utility taxes. Penalties and interest, omitted property taxes, and revenue in lieu taxes are also included in this amount. \$524,159 of the total local taxes collected was the building fund (5 Cent Levy) required for participation in the School Facilities Construction Commission (SFCC). SFCC funds may be used for projects identified in the District’s Facility Plan.
- The District’s total revenues for the fiscal year ended June 30, 2009 were \$28,308,525. The total cost of all programs and services was \$30,487,045, excluding facilities acquisition and construction costs which were funded with bond proceeds.

**FACILITIES AND CONSTRUCTION HIGHLIGHTS**

- State law requires districts to update a priority list of construction and renovation needs, called a Local Facilities Plan, every four years. The document guides the allocation of School Facilities Construction Commission dollars. The district updated its facilities plan during fiscal year 2007. The plan indicated almost \$23 million dollars in needs. An updated projection for 2008 showed those needs at over \$29 million with inflation.
- Bonds are issued as the district renovates facilities consistent with a long-range facilities plan that is established with community input and in keeping with Kentucky Department of Education (KDE) stringent compliance regulations. No new bonds were issued for fiscal year ended June 30, 2009. On August 25, 2009, \$5,995,000 in School Building Revenue Bonds were sold to finance the renovation/addition of the Area Technology Center.

**OVERVIEW OF FINANCIAL STATEMENTS**

This overview is intended to serve as an introduction to the District’s basic financial statements, which are comprised of three components:

**Government-wide financial statements.** The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The statement of net assets presents information on all of the District's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the district is improving or deteriorating.

The statement of activities presents information showing how the District's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The government-wide financial statements outline functions of the District that are principally supported by property taxes and intergovernmental revenues (governmental activities). The governmental activities of the District include instruction, support services, operation and maintenance of plant, student transportation and operation of non-instructional services. Fixed assets and related debt is also supported by taxes and intergovernmental revenues.

The government-wide financial statements can be found on pages 8 - 9 of this report.

**Fund financial statements.** A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. This is a state mandated uniform system and chart of accounts for all Kentucky public school districts utilizing the MUNIS administrative software. The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into three categories: governmental, proprietary funds and fiduciary funds. Fiduciary funds are trust funds established by benefactors to aid in student education, welfare and teacher support. The only proprietary fund is our food service operation. All other activities of the district are included in the governmental funds.

The basic governmental fund financial statements can be found on pages 10 - 20 of this report.

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 21 - 35 of this report.

## **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

Net assets may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by \$14.2 million as of June 30, 2009.

The largest portion of the District's net assets reflects its investment in capital assets (e.g., land and improvements, buildings and improvements, vehicles, furniture and equipment and construction in progress); less any related debt used to acquire those assets that are still outstanding. The District uses these capital assets to provide services to its students; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related

debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The District's financial position is the product of several financial transactions including the net results of activities, the acquisition and payment of debt, the acquisition and disposal of capital assets, and the depreciation of capital assets.

#### Statement of Net Assets

	<u>Governmental Activities</u>		<u>Business Activities</u>		<u>Total</u>	
	<u>FY08</u>	<u>FY09</u>	<u>FY08</u>	<u>FY09</u>	<u>FY08</u>	<u>FY09</u>
Current Assets	\$ 3,906,217	\$ 4,662,772	\$ 48,730	\$ 71,298	\$ 3,954,947	\$ 4,734,070
Non-Current Assets	28,984,145	27,984,130	314,876	288,044	29,299,021	28,272,174
Total Assets	32,890,362	32,646,902	363,606	359,342	33,253,968	33,006,244
Current Liabilities	1,748,782	1,996,341	27,882	2	1,776,664	1,996,343
Non-Current Liabilities	17,881,194	16,802,227			17,881,194	16,802,227
Total Liabilities	19,629,976	18,798,568	27,882	2	19,657,858	18,798,570
Net Assets:						
Invested in capital (net of debt)	10,338,277	10,339,130	314,876	288,044	10,653,153	10,627,174
Restricted	32,804	26,038			32,804	26,038
Unrestricted	2,889,305	3,483,166	20,848	71,296	2,910,153	3,554,462
Total Net Assets	\$ 13,260,386	\$ 13,848,334	\$ 335,724	\$ 359,340	\$ 13,596,110	\$ 14,207,674

#### Statement of Net Assets

Total net assets increased from \$13,596,110 at June 30, 2008 to \$14,207,674 at June 30, 2009. This is an increase of \$611,564. Of that increase \$23,616 is from business type activities and \$587,948 is from government type activities. Total assets decreased from \$33,253,968 at June 30, 2008 to \$33,006,244 at June 30, 2009. The decrease of \$247,724 was mainly a result of an additional year of depreciation of the capital assets. Total liabilities decreased from \$19,657,858 at June 30, 2008 to \$18,798,570 at June 30, 2009. This decrease is due to a year of scheduled bond payments and no additional bond issues.

## Statement of Activities

	<u>Governmental Activities</u>		<u>Business Activities</u>		<u>Total</u>	
<b>Revenues</b>	<b><u>FY08</u></b>	<b><u>FY09</u></b>	<b><u>FY08</u></b>	<b><u>FY09</u></b>	<b><u>FY08</u></b>	<b><u>FY09</u></b>
<u>Program Revenues:</u>						
Charges for Services	\$ 105,593	\$ 61,495	\$ 699,145	\$ 729,435	\$ 804,738	\$ 790,930
Operating Grants and Contributions	3,381,708	3,017,422	1,043,438	1,512,171	4,425,146	4,529,593
Capital Grants and Contributions	694,881	777,550			694,881	777,550
<u>General Revenue:</u>						
Taxes	6,118,904	6,195,726			6,118,904	6,195,726
State Aid - Formula Grants	18,715,963	17,990,544			18,715,963	17,990,544
Investment Earnings	240,379	131,058	2,362	1,017	242,741	132,075
Miscellaneous Revenues	26,450	42,265			26,450	42,265
Gain on Sale of Capital Assets	7,400	51,054			7,400	51,054
Loss Compensation	2,500	41,410			2,500	41,410
<b>Total Revenues</b>	<b>29,293,778</b>	<b>28,308,524</b>	<b>1,744,945</b>	<b>2,242,623</b>	<b>31,038,723</b>	<b>30,551,147</b>
<b>Expenses</b>						
Instructional	20,000,200	18,873,338			20,000,200	18,873,338
Student Support Services	836,754	702,312			836,754	702,312
Staff Support Services	873,707	739,966			873,707	739,966
District Administration	896,542	648,712			896,542	648,712
School Administration	1,163,006	1,061,315			1,163,006	1,061,315
Business Support Services	486,856	451,151			486,856	451,151
Plant Operation & Maintenance	2,064,835	2,261,969			2,064,835	2,261,969
Student Transportation	1,400,345	1,730,626			1,400,345	1,730,626
Central Office	6,011				6,011	-
Community Service Operations	299,656	327,063			299,656	327,063
Food Service			1,819,824	2,219,007	1,819,824	2,219,007
Facilities Acquisition & Construction		5,900			-	5,900
Interest on Long-Term Debt	910,483	918,224			910,483	918,224
<b>Total Expenses</b>	<b>28,938,395</b>	<b>27,720,576</b>	<b>1,819,824</b>	<b>2,219,007</b>	<b>30,758,219</b>	<b>29,939,583</b>
Change in Net Assets	355,383	587,948	(74,879)	23,616	280,504	611,564
Net Assets July 1, 2008	12,905,003	13,260,386	410,603	335,724	13,315,606	13,596,110
Net Assets June 30, 2009	\$ 13,260,386	\$ 13,848,334	\$ 335,724	\$ 359,340	\$ 13,596,110	\$ 14,207,674



## Statement of Activities

Total expenses decreased from \$30,758,219 for the year ended June 30, 2008 to \$29,939,581 for fiscal year ended June 30, 2009. This is a decrease of \$818,638. Total revenue decreased from \$31,038,723 at June 30, 2008 to \$30,551,147 at June 30, 2009. This is a total decrease of \$487,576. The change in net assets for June 30, 2008 was \$280,504 compared to \$611,564 at June 30, 2009. This is an increase of \$331,060 for the current fiscal year.

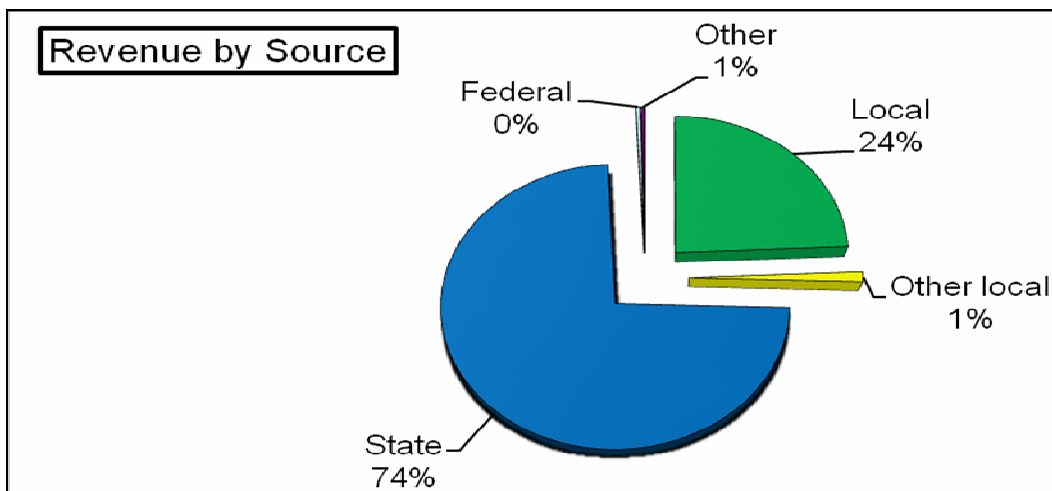
## On-Behalf Payments

The State of Kentucky makes on-behalf payments for school districts in areas of health and life insurance, retirement benefits, and vocational education. The following table presents a summary of the on-behalf payments.

On-Behalf Distribution 2008-2009	
Health Insurance and/or Flexible Benefits	\$ 2,434,117
Life Insurance	\$ 38,339
Kentucky Teachers Retirement	\$ 1,673,121
Area Technology Center	\$ 240,372
Total On-Behalf Payments	\$ 4,385,949

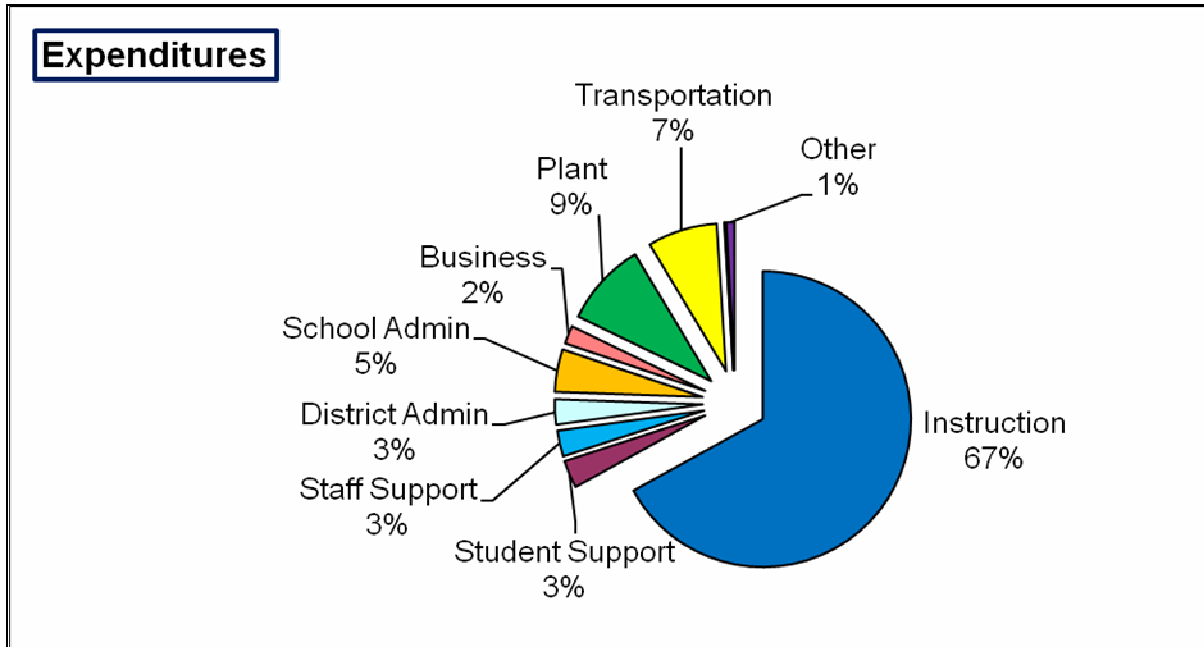
General Fund Revenue Chart 1.

The majority of revenue was derived from state funding (74%) with local taxes making up 26% of total revenue.



### Expenditures Chart 2.

Two thirds of the general fund expenses were spent for instruction. A breakdown of all general fund expenditures is found in the chart below.



### BUDGETARY IMPLICATIONS

In Kentucky the public school fiscal year is July 1-June 30; other programs, i.e. some federal programs operate on a different fiscal calendar, but are reflected in the district overall budget. By law the budget must have a minimum 2% contingency. The district adopted a budget with a contingency slightly over 5%, which is recommended. Significant Board action that impacts the finances include a state mandated 1% pay raise for all employees, English as a Second Language (ESL) program, full day kindergarten and preschool, nursing services, district and in-school alternative programs, special needs program supplements, school allocations for transportation and custodial supplies.

Questions regarding this report should be directed to Donald W. Smith, Superintendent, or to Lisa Hutchins, Finance Director, at (270) 692-3721 or by mail at 755 East Main Street, Lebanon, KY 40033.

MARION COUNTY SCHOOL DISTRICT  
STATEMENT OF NET ASSETS  
JUNE 30, 2009

	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
ASSETS:			
Cash & Cash Equivalents - Note C	3,680,991	58,673	3,739,664
Accounts Receivable:			
Taxes - Current	68,919		68,919
Taxes - Delinquent	291		291
Accounts	10,353		10,353
Due From Other Funds			0
Intergovernmental - State	219,274		219,274
Intergovernmental - Federal	177,297		177,297
Bond Issue Costs	505,647		505,647
Inventories for Consumption		12,625	12,625
Total Current Assets	4,662,772	71,298	4,734,070
Noncurrent Assets - Note F			
Land	814,396		814,396
Construction In Progress	207,689		207,689
Buildings & Improvements	37,940,942		37,940,942
Furniture & Equipment	6,982,843	777,732	7,760,575
Less: Accumulated Depreciation	(17,961,740)	(489,688)	(18,451,428)
Total Noncurrent Assets	27,984,130	288,044	28,272,174
TOTAL ASSETS	32,646,902	359,342	33,006,244
LIABILITIES:			
Current Liabilities:			
Accounts Payable	170,229	2	170,231
Accrued Sick Leave - Note A	377,148		377,148
Deferred Revenues	192,978		192,978
Bond Obligations - Note E	1,100,000		1,100,000
Due to Other Funds			0
Accrued Interest Payable	155,986		155,986
Total Current Liabilities	1,996,341	2	1,996,343
Noncurrent Liabilities:			
Bond Obligations - Note E	16,545,000		16,545,000
Accrued Sick Leave - Note A	257,227		257,227
Total Noncurrent Liabilities	16,802,227		16,802,227
TOTAL LIABILITIES	18,798,568	2	18,798,570
NET ASSETS:			
Invested in Net Assets, Net of Related Debt	10,339,130	288,044	10,627,174
Restricted for:			
Capital Projects	2,436		2,436
School Based Decision Making			0
Other Purposes	23,602		23,602
Unrestricted	3,483,166	71,296	3,554,462
TOTAL NET ASSETS	13,848,334	359,340	14,207,674
TOTAL LIABILITIES AND NET ASSETS	32,646,902	359,342	33,006,244

See independent auditor's report and accompanying notes to financial statements.

MARION COUNTY SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2009

FUNCTION/PROGRAMS	EXPENSES	PROGRAM REVENUES			NET(EXPENSE) REVENUE AND CHANGES IN NET ASSETS		
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
GOVERNMENTAL ACTIVITIES:							
Instructional	18,873,338	31,306	2,578,068		(16,263,964)		(16,263,964)
Student Support Services	702,312		18,319		(683,993)		(683,993)
Staff Support Services	739,966		110,510		(629,456)		(629,456)
District Administration	648,712				(648,712)		(648,712)
School Administration	1,061,315				(1,061,315)		(1,061,315)
Business Support Services	451,151				(451,151)		(451,151)
Plant Operation & Maintenance	2,261,969				(2,261,969)		(2,261,969)
Student Transportation	1,730,626	30,189			(1,700,437)		(1,700,437)
Central Office					0		0
Community Service Operations	327,063		310,525		(16,538)		(16,538)
Facilities Acquisition & Construction	5,900			777,550	771,650		771,650
Interest on Long-Term Debt - Note Q	918,224				(918,224)		(918,224)
TOTAL GOVERNMENTAL ACTIVITIES	27,720,576	61,495	3,017,422	777,550	(23,864,109)		(23,864,109)
BUSINESS-TYPE ACTIVITIES:							
Food Service	2,219,007	729,435	1,512,171			22,599	22,599
TOTAL BUSINESS-TYPE ACTIVITIES	2,219,007	729,435	1,512,171	0	0	22,599	22,599
TOTAL SCHOOL DISTRICT	29,939,583	790,930	4,529,593	777,550	(23,864,109)	22,599	(23,841,510)
GENERAL REVENUES:							
Taxes					6,195,726		6,195,726
State Aid - Formula Grants					17,990,544		17,990,544
Investment Earnings					131,058	1,017	132,075
Proceeds From Bonds							0
Miscellaneous					42,265		42,265
SPECIAL ITEMS:							0
Gain(Loss) Sale of Assets					51,054		51,054
Loss Compensation					41,410		41,410
TOTAL GENERAL & SPECIAL					24,452,057	1,017	24,453,074
CHANGE IN NET ASSETS					587,948	23,616	611,564
NET ASSETS - BEGINNING					13,260,386	335,724	13,596,110
NET ASSETS - ENDING					13,848,334	359,340	14,207,674

See independent auditor's report and accompanying notes to financial statements.

MARION COUNTY SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2009

	GENERAL FUND	SPECIAL REVENUE	CONSTRUCTION FUND	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
ASSETS:					
Cash & Cash Equivalents	3,717,162	(147,042)	(175,187)	286,058	3,680,991
Accounts Receivable:					
Taxes - Current	68,919				68,919
Taxes - Delinquent	291				291
Accounts	10,353				10,353
Due from Other Funds					0
Intergovernmental - State	49,002	170,272			219,274
Intergovernmental - Federal	7,549	169,748			177,297
TOTAL ASSETS	<u>3,853,276</u>	<u>192,978</u>	<u>(175,187)</u>	<u>286,058</u>	<u>4,157,125</u>
LIABILITIES AND FUND BALANCE:					
Liabilities:					
Accounts Payable	133,995		30,066	6,168	170,229
Due to Other Funds					0
Accrued Salaries & Sick Leave	377,148				377,148
Deferred Revenues		192,978			192,978
Total Liabilities	<u>511,143</u>	<u>192,978</u>	<u>30,066</u>	<u>6,168</u>	<u>740,355</u>
Fund Balance:					
Reserved for:					
Encumbrances	2,610				2,610
Site-Based Carryforward					0
Accrued Sick Leave	257,227				257,227
Unreserved:					
Unreserved - Reported in Non-Major				258,898	258,898
Capital Projects Fund			2,436		2,436
Debt Service Fund				20,992	20,992
Other Purposes	3,082,296		(207,689)		2,874,607
Total Fund Balance	<u>3,342,133</u>	<u>0</u>	<u>(205,253)</u>	<u>279,890</u>	<u>3,416,770</u>
TOTAL LIABILITIES AND NET ASSETS	<u>3,853,276</u>	<u>192,978</u>	<u>(175,187)</u>	<u>286,058</u>	<u>4,157,125</u>

See independent auditor's report and accompanying notes to financial statements.

MARION COUNTY SCHOOL DISTRICT  
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET ASSETS  
FOR THE YEAR ENDED JUNE 30, 2009

Amounts reported for governmental activities in the statement of net assets are different because:

TOTAL GOVERNMENTAL FUND BALANCE		3,416,770
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.		
Cost of Capital Assets	45,945,870	
Accumulated Depreciation	<u>(17,961,740)</u>	27,984,130
Bond Issuance Costs		505,647
Long-term liabilities (including bonds payable) are not due and payable in the current period and therefore are not reported as liabilities in the funds.		
Long-term liabilities at year end consist of:		
Bonds Payable	(17,645,000)	
Accrued Interest on Bonds	(155,986)	
Accrued Sick Leave	<u>(257,227)</u>	<u>(18,058,213)</u>
TOTAL NET ASSETS - GOVERNMENTAL ACTIVITIES		<u><u>13,848,334</u></u>

See independent auditor's report and accompanying notes to financial statements.

MARION COUNTY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2009

	GENERAL	SPECIAL REVENUE	CONSTRUCTION FUND	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
REVENUES:					
Taxes	5,671,567			524,159	6,195,726
Earnings on Investments	129,289	1,228		542	131,059
Intergovernmental - State	17,210,431	988,005		1,438,689	19,637,125
Intergovernmental - Federal	90,013	1,992,580			2,082,593
Other Sources	226,412	35,610			262,022
TOTAL REVENUES	23,327,712	3,017,423	0	1,963,390	28,308,525
EXPENDITURES:					
Instructional	15,157,076	2,639,057			17,796,133
Student Support Services	683,873	18,319			702,192
Staff Support Services	639,664	110,510			750,174
District Administration	620,825				620,825
School Administration	1,054,932				1,054,932
Business Support Services	446,437				446,437
Plant Operation & Maintenance	2,080,546			164,311	2,244,857
Student Transportation	1,720,253				1,720,253
Central Office					0
Food Service Operation		5,144			5,144
Community Service Operations	16,386	305,382			321,768
Adult Education Operations					0
Facilities Acquisition & Construction	5,900		207,689		213,589
Debt Service:					
Principal				4,045,868	4,045,868
Interest				778,462	778,462
TOTAL EXPENDITURES	22,425,892	3,078,412	207,689	4,988,641	30,700,634
EXCESS(DEFICIT) REVENUES OVER EXPENDITURES	901,820	(60,989)	(207,689)	(3,025,251)	(2,392,109)
OTHER FINANCING SOURCES(USES):					
Proceeds from Sale of Bonds				2,982,137	2,982,137
Proceeds from Sale of Assets					0
Operating Transfers In - Note O		60,989		1,183,690	1,244,679
Operating Transfers Out - Note O	(207,226)			(1,037,453)	(1,244,679)
TOTAL OTHER FINANCING SOURCES	(207,226)	60,989	0	3,128,374	2,982,137
NET CHANGE IN FUND BALANCES	694,594	0	(207,689)	103,123	590,028
FUND BALANCES - BEGINNING	2,647,539	0	2,436	176,767	2,826,742
FUND BALANCES - ENDING	3,342,133	0	(205,253)	279,890	3,416,770

See independent auditor's report and accompanying notes to financial statements.

MARION COUNTY SCHOOL DISTRICT  
RECONCILIATION OF THE STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2009

Amounts reported for governmental activities in the statement of net assets are different because:

NET CHANGES - GOVERNMENTAL FUNDS		590,028
Governmental funds report capital outlays as expenditures because they use current financial resources. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital exceeds depreciation expense for the year.		
Depreciation Expense	(1,599,078)	
Capital Outlays	<u>599,063</u>	(1,000,015)
Bond proceeds are reported as financing sources in governmental funds and thus contribute to the change in fund balance. In the statement of net assets, however, issuing debt increases long-term liabilities and does not affect the statement of activities. Similarly, repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net assets.		
Principal Paid	4,045,868	
Bond Proceeds	<u>(2,982,137)</u>	1,063,731
Generally, expenditures recognized in this fund financial statement are limited to only those that use current financial resources, but expenses are recognized in the statement of activities when they are incurred.		
Amortization-Bond Issuance Costs	(150,791)	
Accrued Interest Payable	11,028	
Accrued Sick Leave	<u>73,967</u>	(65,796)
In the statement of activities the net gain on the sale/disposal of assets is reported in whereas in the governmental funds the proceeds from the sale increases financial resources. Thus the change in net assets differs from change in fund balances by the cost of the asset sold.		
Gain - Sale of Assets		<u>0</u>
CHANGES - NET ASSETS GOVERNMENTAL FUNDS		<u><u>587,948</u></u>

See independent auditor's report and accompanying notes to financial statements.



MARION COUNTY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2009

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES:				
Taxes	4,920,000	4,985,936	5,671,567	685,631
Other Local Sources	258,050	178,050	263,237	85,187
State Sources	13,136,838	13,316,481	17,210,431	3,893,950
Federal Sources	75,000	50,000	90,013	40,013
Other Sources			92,464	92,464
TOTAL REVENUES	18,389,888	18,530,467	23,327,712	4,797,245
EXPENDITURES:				
Instructional	12,312,742	12,495,445	15,157,076	(2,661,631)
Student Support Services	663,964	665,398	683,873	(18,475)
Staff Support Services	611,062	672,938	639,664	33,274
District Administration	673,149	698,149	620,825	77,324
School Administration	972,061	982,327	1,054,932	(72,605)
Business Support Services	440,304	440,304	446,437	(6,133)
Plant Operation & Maintenance	1,800,099	1,880,259	2,080,546	(200,287)
Student Transportation	1,568,208	1,582,708	1,720,253	(137,545)
Central Office				0
Community Service Operations	25,400	25,400	16,386	9,014
Facility Acquisition & Construction	34,720	34,720	5,900	28,820
Other	1,734,235	1,505,503	207,226	1,298,277
TOTAL EXPENDITURES	20,835,944	20,983,151	22,633,118	(1,649,967)
NET CHANGE IN FUND BALANCE	(2,446,056)	(2,452,684)	694,594	3,147,278
FUND BALANCES - BEGINNING	2,446,056	2,452,684	2,647,539	0
FUND BALANCES - ENDING	0	0	3,342,133	3,147,278

On-behalf payments totaling \$ 3,982,527 are not budgeted by the Marion County School District.

See independent auditor's report and accompanying notes to financial statements.

MARION COUNTY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL - SPECIAL REVENUE FUND  
FOR THE YEAR ENDED JUNE 30, 2009

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES:				
Taxes				
Other Local Sources	118,471	135,790	62,217	73,573
State Sources	1,293,573	1,052,652	988,005	64,647
Federal Sources	1,698,334	2,173,762	1,992,580	181,182
Other Sources	246,837	40,000	35,610	4,390
TOTAL REVENUES	3,357,215	3,402,204	3,078,412	323,792
EXPENDITURES:				
Instructional	2,814,535	2,875,222	2,639,057	236,165
Student Support Services	90,616	98,000	18,319	79,681
Staff Support Services	142,254	106,026	110,510	(4,484)
District Administration				0
School Administration				0
Business Support Services				0
Plant Operation & Maintenance				0
Student Transportation	26,173	22,980		22,980
Central Office				0
Community Service Operations	274,090	294,705	305,382	(10,677)
Facility Acquisition & Construction				0
Other	9,547	5,271	5,144	127
TOTAL EXPENDITURES	3,357,215	3,402,204	3,078,412	323,792
NET CHANGE IN FUND BALANCE	0	0	0	0
FUND BALANCES - BEGINNING	0	0	0	0
FUND BALANCES - ENDING	0	0	0	0

See accompanying auditor's report and accompanying notes to financial statements.

MARION COUNTY SCHOOL DISTRICT  
STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS  
JUNE 30, 2009

	ENTERPRISE FUNDS		
	FOOD SERVICE	OTHER ENTERPRISE FUNDS	TOTAL
ASSETS:			
Current Assets:			
Cash & Cash Equivalents	58,673		58,673
Investments			0
Accounts Receivable			0
Inventories for Consumption	12,625		12,625
Total Current Assets	71,298	0	71,298
Noncurrent Assets:			
Furniture & Equipment	777,732		777,732
Less: Accumulated Depreciation	(489,688)		(489,688)
Total Noncurrent Assets	288,044	0	288,044
TOTAL ASSETS	359,342	0	359,342
LIABILITIES:			
Current Liabilities:			
Account Payable	2		2
Accrued Sick Leave			0
Total Current Liabilities	2	0	2
Net Assets:			
Invested in Assets, Net of Debt	288,044		288,044
Unrestricted	71,296		71,296
Total Net Assets	359,340	0	359,340
TOTAL LIABILITIES AND NET ASSETS	359,342	0	359,342

See independent auditor's report and accompanying notes to financial statements.

MARION COUNTY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2009

	ENTERPRISE FUNDS		
	FOOD SERVICE	OTHER ENTERPRISE FUNDS	TOTAL
OPERATING REVENUES:			
Lunchroom Sales	692,029		692,029
Other Operating Revenues	37,406		37,406
TOTAL OPERATING REVENUES	729,435	0	729,435
OPERATING EXPENSES:			
Salaries & Benefits	1,247,698		1,247,698
Contract Services	14,348		14,348
Materials & Supplies	905,560		905,560
Depreciation - Note F	38,946		38,946
Other Operating Expenses	12,455		12,455
TOTAL OPERATING EXPENSES	2,219,007	0	2,219,007
OPERATING INCOME(LOSS)	(1,489,572)	0	(1,489,572)
NONOPERATING REVENUES(EXPENSES):			
Federal Grants	1,000,645		1,000,645
State Grants	423,107		423,107
Donated Commodities	88,419		88,419
Interest Income	1,017		1,017
Miscellaneous Income			0
TOTAL NONOPERATING REVENUE	1,513,188	0	1,513,188
INCOME(LOSS) BEFORE CAPITAL CONTRIBUTIONS	23,616	0	23,616
CAPITAL CONTRIBUTIONS	0	0	0
CHANGE IN NET ASSETS	23,616	0	23,616
TOTAL NET ASSETS - BEGINNING	335,724	0	335,724
TOTAL NET ASSETS - ENDING	359,340	0	359,340

See independent auditor's report and accompanying notes to financial statements.

MARION COUNTY SCHOOL DISTRICT  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2009

CASH FLOWS FROM OPERATING ACTIVITIES:

Cash Received from:	
Lunchroom Sales	729,435
Cash Paid to/for:	
Employees	(844,278)
Supplies	(833,768)
Other Activities	(26,801)
	<hr/>

Net Cash Used by Operating Activities (975,412)

CASH FLOWS FROM NON-CAPITAL AND RELATED  
FINANCING ACTIVITIES:

Federal Grants	1,025,498
State Grants	19,685
	<hr/>

Net Cash Provided by Non-Capital and Related Financing Activities 1,045,183

CASH FLOWS FROM CAPITAL AND RELATED  
FINANCING ACTIVITIES:

Purchases of Capital Assets	(12,115)
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CASH FLOWS FROM INVESTING ACTIVITIES

Receipt of Interest Income	1,017
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Net Increase in Cash and Cash Equivalents 58,673

Balances, Beginning of Year 

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Balances, End of Year 

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58,673

RECONCILIATION OF OPERATING LOSS TO NET CASH  
USED BY OPERATING ACTIVITIES:

Operating Loss (1,489,572)

Adjustments to Reconcile Operating Loss to Net Cash (Used)  
by Operating Activities

Depreciation	38,946
State On-Behalf Payments	403,422
Donated Commodities	88,419
Change in Assets and Liabilities:	
Accounts Receivable	
Inventory	11,251
Accounts Payable	(27,880)
	<hr/>

Net Cash Used by Operating Activities 

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(975,414)

Schedule of Non-Cash Transactions:

Donated Commodities	88,419
State On-Behalf Payments	403,422

See independent auditor's report and accompanying notes to financial statements.

MARION COUNTY SCHOOL DISTRICT  
STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
JUNE 30, 2009

	PRIVATE PURPOSE <u>TRUST FUNDS</u>	<u>AGENCY FUND</u>
ASSETS:		
Cash and Cash Equivalents	5,518	293,286
Accounts Receivable		
Investment Income Receivable		
Loans Receivable		
Investments - Note D	<u>121,197</u>	
TOTAL ASSETS	<u>126,715</u>	<u>293,286</u>
LIABILITIES:		
Accounts Payable		2,596
Due to Student Groups		290,690
TOTAL LIABILITIES	<u>0</u>	<u>293,286</u>
NET ASSETS HELD IN TRUST	<u><u>126,715</u></u>	<u><u>0</u></u>

See independent auditor's report and accompanying notes to financial statements.

MARION COUNTY SCHOOL DISTRICT  
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2009

	<u>PRIVATE PURPOSE TRUST FUNDS</u>
ADDITIONS:	
Net Interest and Investment Gains(Losses)	(24,156)
Scholarship Funds Contributed	0
DEDUCTIONS:	
Broker Fees	1,067
Benefits Paid	<u>7,500</u>
Changes in Net Assets	(32,723)
NET ASSETS - BEGINNING OF YEAR	<u>159,438</u>
NET ASSETS - END OF YEAR	<u><u>126,715</u></u>

See independent auditor's report and accompanying notes to financial statements.

MARION COUNTY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2009

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Reporting Entity

The Marion County Board of Education (“Board”), a five-member group, is the level of government which has oversight responsibilities over all activities related to public elementary and secondary school education within the jurisdiction of Marion County Board of Education (“District”). The District receives funding from local, state, and federal government sources and must comply with the commitment requirements of these funding source entities. However, the District is not included in any other governmental “reporting entity” as defined in Section 2100, Codification of Governmental Accounting and Financial Reporting Standards. Board members are elected by the public and have decision-making authority, the power to designate management, the responsibility to develop policies which may influence operations, and primary accountability for fiscal matters.

The District, for financial purposes, includes all of the funds and account groups relevant to the operation of the Marion County Board of Education. The financial statements presented herein do not include funds of groups and organizations, which although associated with the school system, have not originated within the Board itself such as Band Boosters, Parent-Teacher Associations, etc.

The financial statements of the District include those of separately administered organizations that are controlled by or dependent on the Board. Control or dependence is determined on the basis of budget adoption, funding, and appointment of the respective governing board.

Based on the foregoing criteria, the financial statements of the following organizations are included in the accompanying financial statements:

Marion County Board of Education Finance Corporation – On May 14, 1991, the Board of Education resolved to authorize the establishment of the Marion County School District Finance Corporation (a non-profit, non-stock, public and charitable corporation organized under the School Bond Act and KRS 273 and KRS Section 58.180) (the “Corporation”) as an agency for the District for financing the costs of school building facilities. The members of the Board also comprise the Corporation’s Board of Directors.

Basis of Presentation

Government-Wide Financial Statements – The statement of net assets and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the District that are governmental and those that are considered business-type activities.

The government-wide statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements therefore include reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.



## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the District and for each function or program of the District's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues of the District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the District.

**Fund Financial Statements** – Fund financial statements report detailed information about the District. The focus of governmental and enterprise fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

The accounting and reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. The financial statements for governmental funds are a balance sheet, which generally includes only current assets and current liabilities, and a statement of revenues, expenditures, and changes in fund balances, which reports on the changes in net total assets. Proprietary funds and fiduciary funds are reported using the economic resources measurement focus. The statement of cash flows provides information about how the District finances and meets the cash flow needs of its proprietary activities.

The District has the following funds:

### I. Governmental Fund Types

- A. The General Fund is the main operating fund of the Board. It accounts for financial resources used for general types of operations. This is a budgeted fund, and any fund balances are considered as resources available for use. This is a major fund of the District.
- B. The Special Revenue (Grant) Funds account for proceeds of specific revenue sources (other than expendable trust or major capital projects) that are legally restricted to disbursements for specified purposes. It includes federal financial programs where unused balances are returned to the grantor at the close of the specified project periods as well as the state grant programs. Project accounting is employed to maintain integrity for the various sources of funds. The separate projects of federally funded grant programs are identified in the Schedule of Expenditures of Federal Awards included in this report on Pages 41 and 42. This is a major fund of the District.
- C. Capital Project Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities and equipment (other than those financed by Proprietary Fund).
  1. The Support Education Excellence in Kentucky (SEEK) Capital Outlay Fund receives those funds designated by the state as Capital Outlay funds and is restricted for use in financing projects identified in the District's facility plan.

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

2. The Facility Support Program of Kentucky (FSPK) accounts for funds generated by the building tax levy required to participate in the School Facilities Construction Commission's construction funding and state matching funds, where applicable. Funds may be used for projects identified in the District's facility plan.
  3. The Construction Fund accounts for proceeds from sales of bonds and other revenues to be used for authorized construction.
- D. Debt Service Funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest and related cost; and for the payment of interest on generally obligation notes payable, as required by Kentucky law.

### II. Proprietary Fund Types (Enterprise Fund)

The Food Service Fund is used to account for school food service activities, including the National School Lunch Program, which is conducted in cooperation with the U.S. Department of Agriculture (USDA). Amounts have been recorded for in-kind contribution of commodities from the USDA. The Food Service fund is a major fund.

The District applies all GASB pronouncements to proprietary funds as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

### III. Fiduciary Fund Type (Agency and Private Purpose Trust Funds)

- A. The Agency Fund accounts for activities of student groups and other types of activities requiring clearing accounts. The funds are accounted for in accordance with the Uniform Program of Accounting for School Activity Funds.
- B. The Private Purpose Trust funds are used to report trust arrangements under which principal and income benefit individuals, private organization, or other governments.

### Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Proprietary and fiduciary funds also use the accrual basis of accounting.

Revenues – Exchange and Nonexchange Transactions – Revenues resulting from exchange transactions, in which each party receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenues are recorded in the fiscal year in which the resources are measurable and available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means expected to be received within 60 days of the fiscal year-end.

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resource are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenues from nonexchange transactions must also be available before it can be recognized.

Deferred Revenue – Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Grants and entitlements received before the eligibility requirements are met are recorded as deferred revenue.

Expenses/Expenditures – On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported in the statement of revenues, expenses, and changes in net assets as an expense with a like amount reported as donated commodities revenue. Unused donated commodities are reported as deferred revenue.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of costs, such as depreciation, are not recognized in governmental funds.

### Property Taxes

Property Tax Revenues – Property taxes are levied each September on the assessed value listed as of the prior January 1, for all real and personal property in the county. The billings are considered due upon receipt by the taxpayer; however, the actual date is based on a period ending 30 days after the tax bill mailing. Property taxes collected are recorded as revenues in the fiscal year for which they were levied. All taxes collected are initially deposited into the General fund and then transferred to the appropriate fund.

The property tax rates assessed for the year ended June 30, 2009, to finance the General Fund operations were \$0.478 per \$100 valuation for real property, \$0.478 per \$100 valuation for business personal property, and \$0.526 per \$100 valuation for motor vehicles.

The District levies a utility gross receipts license tax in the amount of 3% of the gross receipts derived from the furnishings, within the county, of telephonic and telegraphic communications services, cablevision services, electric power, water, and natural, artificial, and mixed gases.

### Capital Assets

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported both in the business-type activities column of the government-wide statement of net assets and in the respective funds.

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

All reported capital assets are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives for both general capital assets and proprietary fund assets:

<b>Description</b>	<b>Governmental Activities Estimated Lives</b>
Buildings and improvements	25-50 years
Land improvements	20 years
Technology equipment	5 years
Vehicles	5-10 years
Audio-visual equipment	15 years
Food service equipment	10-12 years
Furniture and fixtures	7 years
Rolling stock	15 years
Other	10 years

### Interfund Balances

On fund financial statements, receivables and payable resulting from short-term interfund loans are classified as “interfund receivables/payables.” These amounts are eliminated in the governmental and business-type activities columns of the statements of net assets, except for the net residual amounts due between governmental and business-type activities, which are presented as internal balances.

### Accumulated Unpaid Sick Leave Benefits

Upon retirement from the school system, an employee will received from the District an amount equal to 30% of the value of accumulated sick leave.

Sick leave benefits are accrued as a liability using the termination payment method. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination payments. The liability is based on the School District’s past experience of making termination payments.

The entire compensated absence liability is reported on the government-wide financial statements.

For governmental fund financial statements the current portion of unpaid accrued sick leave is the amount expected to be paid using expendable available resources. These amounts are recorded in the amount “accumulated sick leave payable” in the general fund. The noncurrent portion of the liability is reported as a reserve of fund balance.

### Budgetary Process

**Budgetary Basis of Accounting:** The District’s budgetary process accounts for certain transactions on a basis other than Generally Accepted Accounting Principles (GAAP). The major differences between the budgetary basis and the GAAP basis are:

Revenues are recorded when received in cash (budgetary) as opposed to when susceptible to accrual (GAAP).

Expenditures are recorded when paid in cash (budgetary) as opposed to when susceptible to accrual (GAAP).

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Once the budget is approved, it can be amended. Amendments are presented to the Board at their regular meetings. Such amendments are made before the fact, are reflected in the official minutes of the Board, and are not made after fiscal year-end as dictated by law.

Each budget is prepared and controlled by the budget coordinator at the revenue and expenditure function/object level. All budget appropriations lapse at year-end.

### Cash and Cash Equivalents

The District considers demand deposits, money market funds, and other investments with an original maturity of 90 days or less, to be cash equivalents.

### Inventories

On government-wide financial statements, inventories are stated at cost and are expensed when used.

On fund financial statements inventories are stated at cost. The cost of inventory items is recorded as an expenditure in the governmental fund types when purchased.

The food service fund uses the specific identification method.

### Investments

The private purpose trust funds record investments at their quoted market prices. All realized gains and losses and changes in fair value are recorded in the Statement of Changes in Fiduciary Net Assets.

### Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities, and long-term obligations are reported in the government-wide financial statements, and all payables, accrued liabilities, and long-term obligations payable from proprietary funds are reported on the proprietary fund financial statements.

In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current resources. However, claims and judgments, the noncurrent portion of capital leases, accumulated sick leave, contractually required pension contributions and special termination benefits that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they will be paid with current, expendable, available financial resources. In general, payments made within sixty days after year-end are considered to have been made with current available financial resources. Bonds and other long-term obligations that will be paid from governmental funds are not recognized as a liability in the fund financial statements until due.

### Fund Balance Reserves

The District reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balances indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves have been established for inventories and fixed assets.

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

### Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

### Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the School District, those revenues are primarily charges for meals provided by the various schools.

### Contributions of Capital

Contributions of capital in proprietary fund financial statements arise from outside contributions of fixed assets, or from grants or outside contributions of resources restricted to capital acquisition and construction.

### Interfund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating revenues/expenses in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

## **NOTE B – ESTIMATES**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the District's management to make estimates and assumptions that affect reported amounts of assets, liabilities, fund balances, and disclosure of contingent assets and liabilities at the date of the general purpose financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

## **NOTE C – CASH AND CASH EQUIVALENTS**

Custodial Credit Risk - Deposits. Custodial Credit is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District's policy is to have all deposits secured by pledged securities.

At year-end, the carrying amount of the District's total cash and cash equivalents was \$4,038,468. Of the total cash balance, \$395,718 was covered by Federal Depository Insurance, with the remainder covered by collateral agreements and collateral held by the pledging banks' trust departments in the District's name. Cash equivalents are funds temporarily invested in securities with maturity of 90 days or less.

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Cash and cash equivalents at June 30, 2009, consisted of the following:

	<b>Bank Balance</b>	<b>Book Balance</b>
Citizens National Bank	5,860,803	3,717,253
U.S. Bank	5,974	5,974
Farmers Bank	16,437	16,437
Farmers Bank (Agency Funds)	76,011	73,666
Citizens National Bank (Agency)	178,519	175,496
U.S. Bank (Agency)	44,124	44,124
Paine Webber	<u>5,518</u>	<u>5,518</u>
	<u>6,187,386</u>	<u>4,038,468</u>

Breakdown per financial statements:

Governmental Funds	3,680,991
Proprietary Funds	58,673
Private Purpose Trust Funds	5,518
Agency Funds	<u>293,286</u>
	<u>4,038,468</u>

### NOTE D – INVESTMENTS

The following is a comparison of the cost and fair value of investments held in trust at June 30, 2009:

	<b>Cost</b>	<b>Fair Value</b>
Private Purpose Trust Funds		
Equities	<u>108,650</u>	<u>121,197</u>

### NOTE E – BONDED DEBT AND LEASE OBLIGATIONS

The amount shown in the accompanying financial statements as lease obligations represents the District's future obligations to make lease payments relating to the bonds issued by the Fiscal Court of Marion County aggregating \$21,228,421.

The original amount of each issue and interest rates are summarized below:

1994 Series A	6,715,000	4.70% - 6.00%
1998	1,705,000	3.90% - 4.20%
2002	3,490,000	1.50% - 3.85%
2003	3,625,000	2.00% - 4.125%
2005 Series A	5,920,000	4.17% - 4.18%
2005 Series B	2,455,000	3.96% - 3.97%
2006	675,000	3.85% - 3.86%
2009	3,045,000	3.00% - 3.375%

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

The District, through the General Fund (including utility taxes and the SEEK Capital Outlay Fund) is obligated to make lease payments in amounts sufficient to satisfy debt service requirements on bonds issued by the Marion County Fiscal Court and the City of Lebanon to construct school facilities. The District has an option to purchase the property under lease at any time by retiring the bonds then outstanding.

In 1995 the Board entered into “participation agreements” with the Kentucky School Facility Construction Commission. The Commission was created by the Kentucky Legislature for the purpose of assisting local schools districts in meeting school construction needs. The table sets forth the amount to be paid by the Board and the Commission for each year until maturity of all bonds issued.

The bonds may be called prior to maturity and redemption premiums are specified in each issue. Assuming no bonds are called prior to scheduled maturity, the maturity, the minimum obligations of the District, including amounts to be paid by the Commission at June 30, 2008, for debt service (principal and interest) are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Participation</u>	<u>District's Portion</u>
2009-10	1,100,000	672,152	662,363	1,109,789
2010-11	1,135,000	626,044	648,354	1,112,690
2011-12	1,130,000	585,881	610,808	1,105,073
2012-13	1,170,000	546,577	610,263	1,106,316
2013-14	1,215,000	505,189	619,991	1,100,198
2014-15	935,000	461,520	294,414	1,102,107
2015-16	970,000	430,343	294,408	1,105,934
2016-17	910,000	396,235	294,404	1,011,830
2017-18	940,000	364,232	294,406	1,009,826
2018-19	975,000	319,455	257,103	1,037,352
2019-20	985,000	280,196	228,431	1,036,765
2020-21	945,000	255,103	155,144	1,044,958
2021-22	990,000	215,546	137,010	1,068,536
2022-23	1,030,000	174,135	119,318	1,084,817
2023-24	1,035,000	114,935	101,186	1,048,749
2024-25	1,080,000	70,250	101,186	1,049,064
2025-26	<u>1,100,000</u>	<u>23,650</u>	<u>76,392</u>	<u>1,047,258</u>
	<u><u>17,645,000</u></u>	<u><u>6,041,443</u></u>	<u><u>5,505,181</u></u>	<u><u>18,181,262</u></u>



# NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Long-term liability activity for the year ended June 30, 2009, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<b>Primary Government</b>					
Governmental Activities:					
Revenue Bond Payable	18,645,868	3,045,000	4,045,868	17,645,000	1,100,000
Accrued Sick Leave	<u>642,136</u>	<u>85,434</u>	<u>93,195</u>	<u>634,375</u>	<u>377,148</u>
Governmental Activities					
Long-Term Liabilities	<u>19,288,004</u>	<u>3,130,434</u>	<u>4,139,063</u>	<u>18,279,375</u>	<u>1,477,148</u>

# NOTES TO FINANCIAL STATEMENTS (CONTINUED)

## NOTE F - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2009, was as follows:

	BEGINNING BALANCE	ADDITIONS	RETIREMENTS	ENDING BALANCE
GOVERNMENTAL ACTIVITIES:				
Land	814,396			814,396
Buildings & Building Improvements	37,940,942			37,940,942
Technology Equipment	2,786,854	308,504	939	3,094,419
Vehicles	3,066,112	80,770		3,146,882
General Equipment	739,442	2,100		741,542
Construction In Progress	0	207,689		207,689
TOTAL AT HISTORICAL COST	45,347,746	599,063	939	45,945,870
LESS ACCUMULATED DEPRECIATION FOR:				
Land	0			0
Buildings & Building Improvements	11,605,289	1,091,476		12,696,765
Technology Equipment	1,849,901	368,318	939	2,217,280
Vehicles	2,422,256	106,194		2,528,450
General Equipment	486,155	33,090		519,245
Construction In Progress	0			0
TOTAL ACCUMULATED DEPRECIATION	16,363,601	1,599,078	939	17,961,740
GOVERNMENTAL ACTIVITIES CAPITAL NET	28,984,145	(1,000,015)	0	27,984,130
PROPRIETARY ACTIVITIES:				
Land	0			0
Buildings & Building Improvements	0			0
Technology Equipment	5,348			5,348
Vehicles	0			0
General Equipment	760,270	12,115		772,385
Construction	0			0
TOTALS AT HISTORICAL COST	765,618	12,115	0	777,733
LESS ACCUMULATED DEPRECIATION FOR:				
Land	0			0
Buildings & Building Improvements	0			0
Technology Equipment	5,348			5,348
Vehicles	0			0
General Equipment	445,394	38,947		484,341
Construction	0			0
TOTAL ACCUMULATED DEPRECIATION	450,742	38,947	0	489,689
PROPRIETARY ACTIVITIES CAPITAL NET	314,876	(26,832)	0	288,044
DEPRECIATION EXPENSE CHARGED TO GOVERNMENTAL FUNCTIONS AS FOLLOWS:				
Instructional				1,354,872
Student Support Services				120
Staff Support Services				7,974
District Administration				103,414
School Administration				8,282
Business Support Services				4,714
Plant Operation & Maintenance				28,408
Student Transportation				91,143
Central Office				0
Community Service Operations				151
TOTAL				1,599,078

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

### NOTE G – COMMITMENTS UNDER NONCAPITALIZED LEASES

Commitments under operating lease agreements for office equipment provide the minimum future rental payments as of June 30, 2009, as follows:

Year ending June 30:

2010	<u>50,792</u>
Total minimum payments	<u>50,792</u>

### NOTE H – RETIREMENT PLANS

Certified employees are covered under the Teachers' Retirement System of Kentucky ("KTRS"), a cost sharing, multiple employer defined benefit pension plan. KTRS administers retirement and disability annuities, and death and survivor benefits to employees and beneficiaries of employees of the public school systems and public educational agencies in Kentucky.

KTRS was created by the 1938 General Assembly and is governed by Chapter 161 Section 220 through 161 Section 990 of the Kentucky Revised Statutes (KRS). KTRS issues a publicly available financial report that includes financial statements and required supplementary information for the defined benefit pension plan. That report can be obtained by writing to Kentucky Teachers' Retirement System, 479 Versailles Road, Frankfort, KY 40601.

Contribution rates are established by KRS. Members hired before July 1, 2008 are required to contribute 9.855% of their salaries and for members hired after July 1, 2008 to contribute 10.855% to KTRS. The Commonwealth of Kentucky is required to contribute 13.105% and 14.105% of salaries respectively. The federal program for any salaries paid by that program pays the matching contributions. KTRS requires that members of KTRS occupy a position requiring either a four (4) year college degree or certification by KY Department of Education (KDE)

Substantially all other employees (classified personnel) are covered under the County Employee's Retirement System ("CERS"), a cost sharing, multiple-employer, public employers retirement system. Funding for the Plan is provided through payroll withholdings of 5% for employees hired before September 15, 2008 and 6% for employees hired after September 15, 2008 and a Board contribution of 13.50% of the employee's total compensation subject to contribution.

The Board's total payroll for the year was \$17,241,224. The payroll for employees covered under KTRS was \$13,770,730 and for CERS was \$3,470,494.

For the year ended June 30, 2009, the Commonwealth contributed \$1,661,655 KTRS for the benefit of our participating employees. The School District's contributions to KTRS for the year ending June 30, 2009, were \$128,583, which represents those employees covered by federal programs.

The contribution requirements for CERS for the year ended June 30, 2009, was \$652,062, which consisted of \$468,516 from the Board and \$183,546 from the employees.

Benefits under both plans will vary based on final compensation, years of service, and other factors as fully described in the Plan documents.

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

The “pension benefit obligation” is a standardized disclosure measure of the present value of pension benefits, adjusted for the effects of projected salary increased and step-rate benefits, estimated to be payable in the future as a result of employee service to date. The measure, which is the actuarial present value of credited projected benefits, is intended to help users assess the pensions’ funding status on a going-concern basis, assess progress made in accumulating sufficient assets to pay benefits when due, and make comparisons among the plans and employers.

KTRS and CERS do not make separate measurements of assets and pension benefit obligation for individual employers. The following tables present certain information regarding the plans’ status as a whole, derived from actuarial valuations performed as of the dates indicated:

	<b>KTRS</b> <b>June 30, 2008</b>	<b>CERS</b> <b>June 30, 2008</b>
Assets available for benefits, at fair value	15,321,300,000	5,731,502,438
Pension benefit obligation	<u>(22,460,300,000)</u>	<u>(7,304,217,691)</u>
(Underfunded)/overfunded pension benefit obligation	<u>(7,139,000,000)</u>	<u>(1,572,715,253)</u>

Ten-year historical trend information showing KTRS’s and CERS’s progress in accumulating sufficient assets to pay benefits when due is presented in their June 30, 2008, comprehensive annual financial reports.

As the District is only one of several employers participating in the Plan, it is not practicable to determine the District’s portion of the unfunded past service cost or the vested benefits of the District’s portion of the Plan assets.

The District also offers employees the option to participate in a defined contribution plan under Section 403(B), 401(K), and 457 of the Internal Revenue Code. All regular full-time and part-time employees are eligible to participate and may contribute to the maximum amount allowable by law. The District does not contribute to these plans.

### NOTE J – CONTINGENCIES

The District receives funding from federal, state, and local government agencies and private contributions. These funds are to be used for designated purposes only. For government agency grants, if based upon the grantor’s review, the funds are considered not to have been used for the intended purpose, the grantors may request a refund of monies advanced, or refuse to reimburse the District for its disbursements. The amount of such future refunds and unreimbursed disbursements, if any, is not expected, to be significant. Continuation of the District’s grant programs is predicated upon the grantors’ satisfaction that the funds provided are being spent as intended and the grantors’ intent to continue their programs.

### NOTE K – INSURANCE AND RELATED ACTIVITIES

The District is exposed to various forms of loss of assets associated with the risks of fire, personal liability, theft, vehicular accidents, errors and omissions, fiduciary responsibility, etc. Each of these risk areas is covered through the purchase of commercial insurance. The District has purchased certain policies, which are retrospectively related which include Workers’ Compensation insurance.

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

### NOTE L – RISK MANAGEMENT

The District is exposed to various risks of loss related to injuries to employees. To obtain insurance of workers' compensation, errors and omissions, and general liability coverage, the District participates in the Kentucky School Boards Insurance Trust Liability Insurance fund. The public entity risk pools operate as common risk management and insurance programs for all school district and other tax supported educational agencies of Kentucky who are members of the Kentucky School Boards Association. The District pays an annual premium to each fund for coverage. Contributions to the Workers' Compensation fund are based on premium rates established by such fund in conjunction with the excess insurance carrier, subject to claims experience modifications and a group discount amount. Dividends may be declared but are not payable until twenty-four (24) months after the expiration of the self-insurance term. The Liability Insurance fund pays insurance premiums of the participating members established by the insurance carrier. The Trust can terminate coverage if it is unable to obtain acceptable excess general liability coverage and for any reason by giving ninety (90) days' notice. In the event the Trust terminated coverage, any amount remaining in the Fund (after payment of operational and administrative costs for which coverage was provided) would be returned to the members on a pro rata basis.

The District purchases unemployment insurance through the Kentucky School Boards Insurance Trust Unemployment Compensation Fund; however, risk has not been transferred to such fund. In addition, the District continues to carry commercial insurance for all other risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

### NOTE M – DEFICIT OPERATING BALANCES

The Construction Fund had a deficit fund balance of \$205,253. In addition the following funds have operations that resulted in a current year deficit of expenditures over revenues resulting in a corresponding reduction of fund balance:

Building Fund	20,894
Construction Fund	207,689

### NOTE N – COBRA

Under COBRA, employers are mandated to notify terminated employees of available continuing insurance coverage. Failure to comply with this requirement may put the School District at risk for a substantial loss (contingency).

### NOTE O – TRANSFER OF FUNDS

The following transfers were made during the year:

Type	From Fund	To Fund	Purpose	Amount
Matching	General	Special Revenue	Technology Match	60,989
Operating	General	Debt Service	Debt Service	146,237
Operating	Building Fund	Debt Service	Debt Service	<u>1,037,453</u>
				<u>1,244,679</u>

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

### **NOTE P – SUBSEQUENT EVENTS**

Subsequent to June 30, 2009, the Marion County School District Finance Corporation had a revenue bond issue. Revenue Bond Series 2009 in the amount of \$5,995,000 was issued to finance the Marion County Technology Center renovation project.

MARION COUNTY SCHOOL DISTRICT  
COMBINING BALANCE SHEET  
NON-MAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2009

	CAPITAL OUTLAY FUND	BUILDING FUND	DEBT SERVICE	TOTAL NON-MAJOR GOVERNMENT FUNDS
ASSETS:				
Cash & Cash Equivalents	176,225	82,673	27,160	286,058
Accounts Receivable:				
Taxes				
Accounts				
TOTAL ASSETS	<u>176,225</u>	<u>82,673</u>	<u>27,160</u>	<u>286,058</u>
LIABILITIES AND FUND BALANCES:				
Liabilities:				
Accounts Payable			6,168	6,168
Accrued Sick Leave				
Deferred Revenues				
Total Liabilities	<u>0</u>	<u>0</u>	<u>6,168</u>	<u>6,168</u>
Fund Balances:				
Reserved for:				
Encumbrances				
Site-Based Carryforward				
Accrued Sick Leave				
Unreserved - Reported in Non-Major	176,225	82,673		258,898
Capital Projects Fund				
Debt Service Fund			20,992	20,992
Other Purposes				
Total Fund Balances	<u>176,225</u>	<u>82,673</u>	<u>20,992</u>	<u>279,890</u>
TOTAL LIABILITIES AND NET ASSETS	<u>176,225</u>	<u>82,673</u>	<u>27,160</u>	<u>286,058</u>

See independent auditor's report and accompanying notes to financial statements.

MARION COUNTY SCHOOL DISTRICT  
COMBINING STATEMENT OF REVENUES AND EXPENDITURES AND CHANGES IN FUND BALANCES  
NON-MAJOR GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2009

	CAPITAL OUTLAY FUND	BUILDING FUND	DEBT SERVICE	TOTAL NON-MAJOR GOVERNMENT FUNDS
REVENUES:				
Taxes		524,159		524,159
Earnings from Investments			542	542
Intergovernmental - State	285,150	492,400	661,139	1,438,689
Intergovernmental - Federal				0
Other Sources				0
TOTAL REVENUES	285,150	1,016,559	661,681	1,963,390
EXPENDITURES:				
Instructional				
Student Support Services				
Staff Support Services				
District Administration				
School Administration				
Business Support Services				
Plant Operations & Maintenance	164,311			164,311
Student Transportation				
Central Office				
Community Service Operations				
Facilities Acquisition & Construction				
Debt Service:				
Principal			4,045,868	4,045,868
Interest			778,462	778,462
TOTAL EXPENDITURES	164,311	0	4,824,330	4,988,641
EXCESS(DEFICIT) REVENUES OVER EXPENDITURES	120,839	1,016,559	(4,162,649)	(3,025,251)
OTHER FINANCING SOURCES(USES):				
Proceeds from Sale of Bonds			2,982,137	2,982,137
Proceeds from Sale of Assets				
Operating Transfers In			1,183,690	1,183,690
Operating Transfers Out		(1,037,453)		(1,037,453)
TOTAL OTHER FINANCING SOURCES(USES)	0	(1,037,453)	4,165,827	3,128,374
NET CHANGE IN FUND BALANCES	120,839	(20,894)	3,178	103,123
FUND BALANCES - BEGINNING	55,386	103,567	17,814	176,767
FUND BALANCES - ENDING	176,225	82,673	20,992	279,890

See independent auditor's report and accompanying notes to financial statements.



MARION COUNTY SCHOOL DISTRICT  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND FUND BALANCES  
 AGENCY FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2009

	FUND BALANCE JULY 1, 2008	REVENUES	EXPENDITURES	FUND BALANCE JUNE 30, 2009
Marion County High School	123,861	527,254	516,033	135,082
St. Charles Middle School	11,595	121,967	110,336	23,226
Lebanon Middle School	15,648	84,491	77,457	22,682
Lebanon Elementary School	9,590	42,768	36,527	15,831
Calvary Elementary School	23,637	23,240	19,119	27,758
Glasscock Elementary School	14,586	53,229	45,828	21,987
West Marion Elementary School	<u>39,712</u>	<u>55,908</u>	<u>51,496</u>	<u>44,124</u>
Total Activity Funds (Due to Student Groups)	<u><u>238,629</u></u>	<u><u>908,857</u></u>	<u><u>856,796</u></u>	<u><u>290,690</u></u>

MARION COUNTY SCHOOL DISTRICT  
STATEMENT OF RECEIPTS, DISBURSEMENTS AND FUND BALANCE  
HIGH SCHOOL ACTIVITY FUND  
FOR THE YEAR ENDED JUNE 30, 2009

	<u>CASH BALANCE JULY 1, 2008</u>	<u>RECEIPTS</u>	<u>DISBURSEMENTS</u>	<u>CASH BALANCE JUNE 30, 2009</u>	<u>ACCOUNTS RECEIVABLE JUNE 30, 2009</u>	<u>ACCOUNTS PAYABLE JUNE 30, 2009</u>	<u>FUND BALANCE JUNE 30, 2009</u>
Academic Boosters	115			115			115
Academic Team	291	1,165	100	1,356			1,356
Advanced Placement (AP)	1,073	18,219	19,292	0			0
AP English	0	1,006	860	146			146
Art Department	812	2,638	2,068	1,382			1,382
Athletics	49,694	191,336	210,779	30,251		550	29,701
Band	0	325	325	0			0
Baseball	390	1,757	1,060	1,087		216	871
Beta Club	1,735	21,679	21,663	1,751		370	1,381
Bobby Jag. Scholarship	120	3	0	123			123
Boys Basketball	2,536	24,608	22,928	4,216		580	3,636
Boys Soccer	0	1,335	1,302	33			33
Boys Tennis	0	2,323	940	1,383			1,383
Boys Track	0	0	0	0			0
Business Ed Dept.	0	18,067	11,597	6,470			6,470
Cheerleaders	0	18,080	15,304	2,776			2,776
Cheerleader Boosters	0	0	0	0			0
Class of 2008	0	0	0	0			0
Class of 2009	6,606	23,519	20,543	9,582		250	9,332
Class of 2010	1,157	750	1,486	421			421
Class of 2011	736	758	453	1,041			1,041
Class of 2012	0	801	801	0			0
Concessions	0	0	0	0			0
Coaches' Fund	0	3,897	2,549	1,348			1,348
Cross Country	0	2,223	1,552	671			671
Dance	518	0	0	518			518
FBLA	54	1,983	1,528	509			509
FCA	1	0	0	1			1
FCCLA	10,922	26,612	29,206	8,328		45	8,283
FCCLA Culinary Lab	0	830	514	316			316
FFA	2,285	23,073	24,332	1,026		152	874
Fifth Region Program	0	4,448	4,448	0			0
FMD	1,611	200	1,599	212			212
Football	0	7,629	7,166	463			463
Football Camp	0	945	0	945			945
Freshman Lifeskills	985	1,325	2,134	176			176

General	18,150	40,585	44,727	14,008		258	13,750
Girls Basketball	1,136	16,939	16,307	1,768			1,768
Girls Soccer	2,197	1,183	1,617	1,763			1,763
Girls Tennis	0	3,330	2,464	866			866
G/B Track	394	2,432	2,067	759			759
Golf	3,175	7,499	7,462	3,212			3,212
Graphic Designs	0	5,040	4,744	296			296
Greenhouse Technology	0	0	0	0			0
Heather Garrett Scholarship	2,060	42	0	2,102			2,102
Holiday Classic	1,425	14,985	13,576	2,834			2,834
International Club	479	0	0	479			479
Journalism	0	0	0	0			0
Jr. Beta	873	333	91	1,115			1,115
Key Club	1,260	150	362	1,048			1,048
Library	1,553	1,168	306	2,415			2,415
Mock Trail	54	0	0	54			54
Nancy Colvin Scholarship	1,506	30	500	1,036			1,036
National Honor Society	819	941	1,272	488			488
P.E. Department	0	284	179	105			105
Pep Club	442	3,715	2,739	1,418			1,418
Pigskin Classic	0	6,780	0	6,780			6,780
ROTC	977	7,516	6,229	2,264			2,264
Science Department	0	0	0	0			0
Softball	0	4,206	4,206	0		175	(175)
Speech/Drama	361	0	35	326			326
Student Council	50	943	993	0			0
Student of the Week	1,292	4,057	3,350	1,999			1,999
Swim Team	2,787	2,554	2,961	2,380			2,380
Teachers' Activity Fund	940	1,447	1,621	766			766
Tech. Ed. Dept.	776	206	634	348			348
Threads of Victory	0	28,288	27,505	783			783
TSA	156	295	325	126			126
Volleyball	426	29,352	29,208	570			570
Yearbook Journalism	3,204	7,833	3,488	7,549			7,549
Youth Advisory Council	211	306	25	492			492
Youth Service Center	768	1,065	950	883			883
Total All Funds	129,112	595,038	586,472	137,678	0	2,596	134,967
Interfund Transfers	0	(67,310)	(67,310)	0	0	0	0
Total	129,112	527,728	519,162	137,678	0	2,596	135,082

MARION COUNTY SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2009

FEDERAL GRANTOR/PASS-THROUGH GRANTOR/PROGRAM TITLE	CFDA NUMBER	MUNIS PROJECT NUMBER	EXPENDITURES
<u>U.S. Department of Education</u>			
Passed-Through Department of Education			
Title I - School Improvement Grant	84.01	3208	286
Title I - School Improvement Grant	84.01	3209	54,549
Title I Grants to Local Educational Agencies	84.010	3108	191,581
Title I Grants to Local Educational Agencies	84.010	3109	577,818
Title I Grants to Local Educational Agencies Total			824,234 *
Migrant Education - State Grant Program	84.011	3117	1,186
Migrant Education - State Grant Program	84.011	3118	21,460
Migrant Education - State Grant Program	84.011	3119	41,610
Migrant Education - State Grant Program Total			64,256
IDEA - Special Education - Grants to State	84.027	3378	765
IDEA - Special Education - Grants to State	84.027	3379	630,567
IDEA - Special Education - Preschool Grants	84.173	3439	53,803
Special Education Cluster			685,135
Perkins Voc. Title I, Part C	84.048	3488A	458
Vocational Education - Basic Grants to State	84.048	3489	20,421
			20,879
Tech - Prep Education	84.243	3638	1,689
Tech - Prep Education	84.243	3639	10,067
Tech - Prep Education Total			11,756
Community Based Work Transition	84.341	3718	3,725
Community Based Work Transition	84.341	3719	12,737
Community Based Work Transition Total			16,462
Adult Ed. Basic	84.002A	3739	34,229
Adult Ed. Basic - Professional/ Staff Dev	84.002A	3738S	130
Adult Ed. Basic - Professional/ Staff Dev	84.002A	3739S	1,116
Adult Education Cluster			35,475
Teacher Quality Enhancement Grants	84.336	4018	112,751
Teacher Quality Enhancement Grants	84.336	4019	117,256
Teacher Quality Enhancement Grants Total			230,007
Federal Ed Tech - Basic	84.318	4257	655
Federal Ed Tech - Basic	84.318	4258	6,951
Federal Ed Tech - Basic	84.318	4259	3,556
Federal Ed Tech - Basic Total			11,162
21st Century Learning Center	84.287	5507	14,953
21st Century Learning Center	84.287	5507S	5,000
21st Century Learning Center	84.287	5509P	108
21st Century Learning Center Total			20,061
Job Readiness Activities	84.000	3818	176
Title III LEP Part A	84.069	3459	11,774
Rural and Low Income Schools	84.358	3507	5,155
Rural and Low Income Schools	84.358	3509	43,580
Rural and Low Income Schools Total			48,735
Title IV - Safe and Drug Free Schools	84.186	4068	15,888
Title IV - Safe and Drug Free Schools	84.186	4069	13,481
Title IV - Safe and Drug Free Schools Total			29,369
Corp. for National Service Learning	94.004	6759	4,800
Total U.S. Department of Education			2,014,281
<u>U.S. Department of Agriculture</u>			
Passed-Through State Department of Education			
National School Lunchroom	10.555	7750002-08	164,872
National School Lunchroom	10.555	7750002-09	577,516
School Breakfast Program	10.553	7760005-08	51,640
School Breakfast Program	10.553	7760005-09	182,551
Summer Meal Program	10.559	7740024-08	3,895
Summer Meal Program	10.559	7690023-08	36,901
Summer Meal Program	10.582	7720012-08	2,380
Summer Meal Program	10.582	7720012-09	5,743
Child Nutrition Cluster			1,025,498 *
Pass-Through State Department of Agriculture			
In-Kind Contributions	10.550	N/A	88,419 *
Total U.S. Department of Agriculture			1,113,917
Total Federal Financial Assistance			3,128,198

\* Tested as major program

MARION COUNTY SCHOOL DISTRICT  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2009

**NOTE A – BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Marion County School District and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

**NOTE B – FOOD DISTRIBUTION**

Nonmonetary assistance is reported in the schedule at the fair value of the commodities disbursed.

MARION COUNTY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2009

**Section I – Summary of Auditor’s Results**

**Financial Statements**

Type of audit issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? \_\_\_\_\_ Yes      X   No
- Significant deficiency(ies) identified that are not considered to be material weakness(es)? \_\_\_\_\_ Yes      X   None Reported

Noncompliance material to financial statements noted? \_\_\_\_\_ Yes      X   No

**Federal Awards**

Internal control over major programs?

- Material weakness(es) identified? \_\_\_\_\_ Yes      X   No
- Significant deficiency(ies) identified that are not considered to be material weakness(es)? \_\_\_\_\_ Yes      X   None Reported

Type of auditor’s report issued on compliance for major programs (unqualified):

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? \_\_\_\_\_ Yes      X   No

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
84.01/84.010	Title I Grants to Local Education Agencies Cluster
10.553/10.555/10.559/10.550/10.582	Child Nutrition Cluster

Dollar threshold used to distinguish between Type A and Type B programs: \$300,000

Auditee qualified as low-risk auditee?   X   Yes    \_\_\_\_\_ No

**Section II – Financial Statement of Findings**

No matters were reported.

**Section III – Federal Award Findings and Questioned Costs**

No matters were reported.

MARION COUNTY SCHOOL DISTRICT  
SCHEDULE OF PRIOR YEAR AUDIT FINDINGS  
JUNE 30, 2009

There were no prior year audit findings.

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October 2, 2009

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND  
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

Members of the Board of Education  
Marion County School District  
Lebanon, Kentucky

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Marion County School District, as of and for the year ended June 30, 2009, which collectively comprise the Marion County School District's basic financial statements and have issued our report thereon dated October 2, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Marion County School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Marion County School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Marion County School District's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Marion County School District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Marion County School District's financial statements that is more than inconsequential will not be prevented or detected by the Marion County School District's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Marion County School District's internal control.



Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Marion County School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of Marion County School District in a separate letter dated October 2, 2009.

This report is intended solely for the information and use of members of the Kentucky State Committee for School District Audits, members of the Board of Education of Marion County School District, the Kentucky Department of Education, management, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,

***White and Company, P.S.C.***

Certified Public Accountants

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October 2, 2009

**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR  
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE  
WITH OMB CIRCULAR A-133**

Members of the Board of Education  
Marion County School District  
Lebanon, Kentucky

Compliance

We have audited the compliance of Marion County School District with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2009. Marion County School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Marion County School District's management. Our responsibility is to express an opinion on Marion County School District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Marion County School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Marion County School District's compliance with those requirements.

In our opinion, Marion County School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2009.

### Internal Control Over Compliance

The management of Marion County School District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Marion County School District's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Marion County School District's internal control over compliance.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

Marion County School District's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit Marion County School District's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of members of the Kentucky State Committee for School District Audits, members of the Board of Education of Marion County School District, the Kentucky Department of Education, management, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,

***White and Company, P.S.C.***

Certified Public Accountants

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October 2, 2009

**MANAGEMENT LETTER**

Members of the Board of Education  
Marion County School District  
Lebanon, Kentucky

In planning and performing our audit of the financial statements of Marion County School District for the year ended June 30, 2009, we considered its internal control in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements. Our professional standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We feel that the District's financial statements are free of material misstatement. However, we offer the following suggestions that we feel will strengthen your organization's internal control structure.

Prior Year Recommendation:

It was noted during the course of the audit that one employee had a revised contract issued during the school year increasing the hours per day worked by .5 hours. However, this increase in hours worked was not reflected in the hours paid the employee. We recommend that all changes in employee contracts subsequent to the start of the school year be forwarded to the payroll clerk for immediate implementation with a copy going to the director of finance for verification that the change was properly made.

No discrepancies between contract hours and hours worked were found.

Recommendation:

During the course of the audit, certain internal control policies and procedures were reviewed. It was noted that the person typically opening the mail is also the person preparing the deposit ticket and taking it to the bank. We recommend that the receptionist open the mail and make a list of all checks. The receptionist should then forward the actual checks to the superintendent's assistant for preparation of the deposit and transmitting that deposit to the bank. The receptionist forwards the listing of checks to the accounting department staff for recording into MUNIS and preparation of the monthly bank reconciliation. The finance officer would be responsible for reviewing and approving the bank reconciliation each month.

Management Response:

We will have the individual that opens the mail create a list of checks. The checks will be forwarded to a non-finance person for deposit, and the list will be forwarded to the accounting department for processing.

Recommendation:

It was noted that some school food service invoices were being paid without proof of receipt. There was also one instance of a payment being made from a shipping report instead of an invoice. We recommend that no payments be made without the appropriate invoice or proper proof of receipt.

Management Response:

We will not issue payments without the proper invoice nor without sufficient proof of receipt.

Recommendation:

During the review of certain grants' federal cash requests and financial reports, it was noted that various reports did not contain evidence of approval. It was further noted that the monthly reconciliation between MUNIS and the financial reports submitted to the granting authorities also did not contain evidence of approval. We recommend that all reports submitted to the granting authorities be signed by the appropriate grant coordinator and that all reconciliations between MUNIS and financial reports submitted be approved by the finance officer.

Management Response:

Federal cash requests and financial reports submitted will be approved and that approval will be documented by the initials or signature of the grant coordinator and the finance officer.

Recommendation:

It was noted that there were instances of a lack of clear documentation to support the payment of an employee's wages from a specific program's funds. We recommend that documentation be maintained to indicate the funding source of an employee's pay and that this documentation contains an appropriate level of approval.

Management Response:

We will clearly document the source of an employee's pay and that documentation will contain an appropriate level of approval.

Recommendation:

During the course of the audit, the collateral held by the District's financial institution was reviewed. It was noted that some of the types of collateral being pledged were not in agreement with the collateral contract agreement held between the District, the Commonwealth of Kentucky, and the financial institution. We recommend that the collateral be closely reviewed to ensure that proper collateral is maintained per the collateral agreement.

Management Response:

We will review the collateral pledged on a regular basis to ensure compliance with the collateral agreement.

Recommendation:

It was noted during the review of fixed assets that fixed asset purchases were not being added into the fixed asset module in a timely fashion. We recommend that fixed assets purchases be flagged for inclusion in the fixed asset module and that fixed assets be reviewed at least on a quarterly basis.

Management Response:

We will review fixed assets on a quarterly basis to ensure that fixed asset purchases are recorded in the fixed asset module.

Recommendation:

The Kentucky Department of Education requires school districts to publish their financial statements. The District did publish their financial statements on their website for the year ended June 30, 2008. However, they did not properly notify the public of the availability of the financial statements. We recommend that an advertisement be placed in the local paper indicating that the statements are available for review at the District's central office or online at the District's website for the current year's statements.

Management Response:

We will run an advertisement in the local paper to indicate that the financial statements for the year ended June 30, 2009, are available online and at the District's central office.

Recommendation:

During review of the school activity funds, it was noted that there were several instances of a purchase order containing only the principal's signature. We recommend that requestors for fund disbursements or activity fund advisors (where applicable) generate the P. O. and sign the request. The principal should approve this request before issuance of a check. It was further noted at Glasscock Elementary that 14 instances were found of a payment being made without appropriate supporting documentation. We recommend that no check be issued without appropriate documentation. If a check must be cut on demand, a standard invoice should be created by the requestor and signed by the principal. Once appropriate documentation to support the standard invoice is available, it should be attached to the voucher packet.

Management Response:

We will ensure that all purchase orders contain the signature of the person preparing the paperwork and the signature of the principal. We will further ensure that no payment is issued without appropriate supporting documentation.

We would like to offer our assistance throughout the year if and when new or unusual situations arise. Our awareness of new developments when they occur would help to ensure that the District is complying with requirements such as those mentioned above.

We will review the status of these comments during our next audit engagement. We have already discussed many of these comments and suggestions with various District personnel, and we will be pleased to perform any additional study of these matters or to assist you in implementing the recommendations.

Sincerely,

*White and Company, P.S.C.*

Certified Public Accountants

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Charles M. White, CPA

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October 2, 2009

Members of the Board of Education  
Marion County School District  
Lebanon, Kentucky

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Marion County School District for the year ended June 30, 2009, and have issued our report thereon dated October 2, 2009. Professional standards require that we provide you with the following information related to our audit.

Our Responsibilities under U.S. Generally Accepted Auditing Standards and OMB Circular A-133:

As stated in our engagement letter dated April 7, 2009, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

In planning and performing our audit, we considered Marion County School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expression our opinions on the financial statements and not to provide assurance on the internal control over financial reporting. We also considered internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

As part of obtaining reasonable assurance about whether Marion County School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit. Also, in accordance with OMB Circular A-133, we examined, on a test basis, evidence about Marion County School District's compliance with the types of compliance requirements described in the "U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement" applicable to each of its major federal programs for the purpose of expressing an opinion on Marion County School District's compliance with those requirements. While our audit provides a reasonable basis for our opinion, it does not provide a legal determination on Marion County School District's compliance with those requirements.

## Significant Auditing Findings:

### *Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Marion County School District are described in Note A to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2009. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements was:

Management's estimate of the sick leave liability is based on current pay rates and those currently eligible for retirement. We evaluated the key factors and assumptions used to develop the sick leave liability in determining that it is reasonable in relation to the financial statements taken as a whole.

### *Difficulties Encountered in Performing the Audit*

We encountered no significant difficulties in dealing with management in performing and completing our audit.

### *Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

### *Disagreements with Management*

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

### *Management Representations*

We have requested certain representations from management that are included in the management representation letter dated October 2, 2009.

### *Management Consultations with Other Independent Accountants*

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were not such consultations with other accountants.



*Other Audit Findings or Issues*

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of Marion County Board of Education and management of Marion County School District and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,

***White and Company, P.S.C.***

Certified Public Accountants